

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



# AGRICULTURAL COOPERATION

LEGAL, ECONOMIC, AND ORGANIZATION INFORMATION COLLECTED BY THE BUREAU OF AGRICULTURAL ECONOMICS,  
UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

June 22, 1925.

Vol. III, No. 13.

## COOPERATIVE WOOL MARKETING IN THE UNITED STATES

Sixty-one farmers' business organizations have reported to the United States Department of Agriculture regarding the cooperative marketing of nine million pounds of wool of the 1924 clip. The associations are located in 30 states from Maine to California. Twenty are of the regional type or are federations of local associations, and 27 are independent associations serving local communities. Three sales agencies, functioning upon a cooperative basis, served both regional and independent local associations.

While one of the independent associations began operating as early as 1885, most of the organizations are of rather recent origin. Approximately one-half have been formed in the last five years.

These associations are serving over 22,000 wool growers and are handling from 10 to 13 million pounds of wool a season. The figures for the clips of 1923 and 1924, as reported by the regional and local organizations, are as follows:

Year	Wool Handled	Sales
	(Pounds)	
1923	13,900,000	\$6,400,000
1924	9,300,000	3,700,000

The three sales agencies, located in Oregon, Ohio and Illinois, which have furnished selling service for associations and growers on a cooperative basis, report the handling of 3,500,000 pounds in 1922; 19,700,000 pounds in 1923; and 12,000,000 pounds in 1924.

A regional association in California reports the handling of 1,200,000 pounds of wool of the 1924 clip, and a local association in Utah handled 1,000,000 pounds. Two associations in South Dakota give the total number of pounds handled as 910,000. Some of the other state totals for the 1924 clip are: New York, a federation of 37 local associations, 477,000 pounds; two Colorado associations, a total of 458,000 pounds; and a state-wide pool in Iowa, 400,000 pounds. Twenty-two associations handled less than 100,000 pounds each of the 1924 wool.

ILLINOIS FARMERS TO POOL WOOL AGAIN

Arrangements are being made by the livestock department of the Illinois Agricultural Association, Chicago, for pooling the 1925 wool clip. Certain weeks during the summer are to be designated as "wool pool weeks." Wool collected will be shipped to Boston where it will be graded and sold to the mills. In 1924 the farmers in 52 counties pooled 93,637 pounds of wool. It is stated that they received from eight to twenty cents per pound more than they were offered at time of shearing.

----O----

INDIANA FARMERS POOL WOOL FORTY YEARS

Wool growers of Putnam County, Indiana, have been selling their wool cooperatively since 1885. They have a loose organization known as the Putnam County Wool Growers' Association, with headquarters at Greencastle. The plan of operation is described as follows by the president: "Our organization is a very open one. No compulsion as to membership; no fees nor dues. Anyone desiring to sell his wool with his neighbors can do so and just bring it in when the sale is on. The highest bidder takes the lot. No money is handled except that the buyer pays the grower for his individual clip on the spot delivered. There is no compulsion to deliver if price and grade are not satisfactory."

The quantities handled during the past four years have been approximately as follows: 1921, 20,000 pounds; 1922, 24,000 pounds; 1923, 19,000 pounds; 1924, 20,000 pounds.

----O----

SOUTH DAKOTA WOOL GROWERS ADOPT MARKETING AGREEMENT

A marketing agreement was adopted by the board of directors of the Cooperative Wool Growers of South Dakota, Huron, S. D., at a meeting held March 25, 1925. It is provided that the agreement shall be in effect until March 1, 1927, and "that it shall continue thereafter from year to year, subject to the right of either party to terminate liability on March 1 of any year following 1926, by giving written notice to the other party at least thirty days before the expiration of each year."

The association agrees to buy, and the grower agrees to sell and deliver, all wool grown by or for him. Liquidated damages in case of breach of contract are placed at three cents a pound, grease basis.

A statement appears in the agreement to the effect that it has been "approved by the Federal Intermediate Credit Bank of Omaha, and by the Federal Farm Loan Board."

PRUNE AND APRICOT GROWERS PLAN A NEW START

At the annual meetings of the voting board and the membership of the California Prune and Apricot Growers' Association, held at San Jose, May 13, steps were taken for putting new spirit into the enterprise. According to the reports appearing in the association's official magazine, a new board of directors was elected also a new president. Considerable attention was given to the advisability of changing the plan of organization sufficiently to give grower members an annual withdrawal privilege and more direct representation and control. A resolution was adopted directing the board of directors to give consideration to the advisability of eliminating the voting board and providing for the election of directors by members organized in districts.

The retiring president, who has been acting general manager for several months, reported to the membership that \$7,900,000 has been paid to growers during the year from May 1, 1924 to May 1, 1925. During the same period \$572,000 had been paid on funded debt, including a reduction of \$260,000 of mortgage on plants. Payrolls were reduced during the year by \$357,000 and interest and insurance charges by \$87,000.

Advertising expenditures were reduced from 0.31 cents to 0.25 cents per pound of product handled. The expenditure for the past four years are given as follows:

Crop	:	Cents per Pound
	:	of Product
1921	:	0.27
1922	:	0.32
1923	:	0.31
1924	:	0.25

During the year, over \$28,000 was collected as liquidated damages, seventy cases of violation of contract being thus settled.

In closing his report the ex-president calls attention to the fact that the association has "gone through turmoil, tribulations and troubles that would have wrecked most any commercial organization." He points out that the association was started during the war period, it paid "enormous prices for too many packing houses," had suffered from "mismanagement," from "unjust and unfair competition," that it "started without any capital," and that it has sustained heavy losses. He recommended that the association sell or close a large number of its packing plants, that it expel disloyal members, that it build up a reserve of at least \$2,000,000 and that it "sign up" additional acreage.

In an inaugural statement the new president urged an immediate readjustment of packing activities based on the slogan, "sell and save." He also urged the creation of a growers' relation department in order to establish proper contact with grower members. He said, "We must send men, conversant with the details of our business and with the problems of our members, to the growers. These men must give the growers accurate and truthful accounts of things the grower wants to know. This is the member's business and he is entitled to the truth."



### WASHINGTON FRUIT ASSOCIATION PLANNING FOR INCREASED BUSINESS

Plans are being made by the Yakima Fruit Growers' Association, Yakima, Wash., to handle the crops of a considerable number of new members who are joining the association. It is estimated that from 2,500 to 3,000 car loads of fruit will be shipped by the organization next season. Several of the local packing plants are being enlarged and new equipment is being installed.

A series of meetings are scheduled to be held during June at local packing houses. Officers of the association, including the president, manager, assistant manager, and members of the advisory committee, will meet the members and discuss crop and marketing conditions and financing problems. Special attention will be given to the suggestions and complaints of members.

While the principal product handled is apples, the association also packs and markets other fruits, including pears, prunes, peaches, and cherries.

----0----

### MINNESOTA POTATO EXCHANGE OPERATES MANY WAREHOUSES

Two hundred twenty-five warehouses have been operated the past season by the Minnesota Potato Growers' Exchange, St. Paul, which is closing its first year of activity. Through these warehouses has passed the greater part of the 10,000 cars of potatoes handled by the exchange. Sixty-six of the warehouses were purchased or built by the organization and 159 were leased. These warehouses have a combined capacity of 2,000,000 bushels, and all are located beside railroad tracks.

The owned warehouses are held by three warehousing corporations, serving 12 counties in the eastern part of the state, 9 counties in the central part, and 12 counties in the western part. These corporations are authorized to issue capital stock to the amount of \$400,000, \$100,000 by the eastern district, \$100,000 by the central, and \$200,000 by the western district. Of this stock, \$250,000 is common stock in shares of \$1 each. This is issued only to members of the exchange. The preferred stock, amounting to \$150,000, is issued in payment for properties and is to be retired as common stock is issued to take its place in the financing program.

As a result of adjustments made by the traffic department the past season, it is stated that approximately \$50,000 has been saved to potato growers of the state, both members and nonmembers. These traffic adjustments included the elimination of consignment and re-consignment charges at a number of points, equalization of rates at various points, assignment of individual tracks on roads leading into the Twin Cities for concentration of cars, concentration of an adequate supply of refrigerator cars, reduction of rates on certain lines, more favorable storage-in-transit rates, and a number of other matters.

A CANADIAN WHEAT POOL STARTS BUILDING ELEVATORS

A program of elevator building has been started by the Saskatchewan Cooperative Wheat Producers, Ltd., Regina, Canada, according to recent reports. Four points have been selected and elevators of a standard design are to be erected at once. These elevators will have a capacity of 32,000 bushels each. The equipment for elevating grain is to be of larger capacity than is generally found in country elevators. The equipment for receiving grain will include a full platform sleigh dump.

----O----

INDIANA WHEAT GROWERS' ASSOCIATION INCREASES

A membership of 14,724 is shown in a recent report of the Indiana Wheat Growers' Association, Indianapolis, which is a gain of 7,852 over that of last year. Each of eight counties has now more than 400 members to its credit, while twenty-two counties have more than 300 members each.

Large storage plants now being constructed at Evansville and Cincinnati will be used by the association the coming season. Some wheat will be stored in bonded warehouses in different sections of the state.

----O----

SETTLEMENT MADE FOR TEXAS AND OKLAHOMA WHEAT

Members of the Oklahoma and Texas Wheat Growers' Associations received \$1,700,000 early in June in final settlement of the 1924 wheat pool, according to a statement of the secretary of the Oklahoma association. This brought the total payments for the year to \$10,250,000 on 8,700,000 bushels of wheat. A steady increase in the quantity of wheat pooled is noticed as 3,250,000 bushels were handled the first year, and 5,775,000 bushels the second year.

The Oklahoma organization has more than 12,000 members, and Texas has more than 4,500 pooling their wheat through the organization.

Payments were completed ten days earlier than was anticipated.

----O----

KANSAS WHEAT POOL HOLDS HARMONIOUS MEETING

A harmonious and interesting annual meeting is reported by the Kansas Wheat Growers' Association, at Wichita, May 25. The sessions were attended by between four hundred and five hundred members. A motion that the members express their appreciation of the good showing indicated by returns received up to that time for the 1924 pool, was carried overwhelmingly. This motion followed the report of the auditor, giving approximate figures of the business up to and including March 31, 1925. At that time gross sales had amounted, in round numbers, to \$8,900,000 or a gross price per bushel of \$1.47. Sales since that date have tended to increase the average price.

STAPLE COTTON GROWERS RECEIVE FINAL PAYMENT

Final settlement for the cotton of the 1924 crop delivered by its members was made by the Staple Cotton Cooperative Association, Greenwood, Miss., under date of April 20, according to a report published by the association in May. A total of 124,835 bales of cotton was received from members as compared with 107,529 bales of the 1923 crop and 168,344 bales of the 1922 crop. There was distributed to members, \$16,700,000 as compared with \$16,400,000 for the 1923 crop, \$22,600,000 for the 1922 crop, and \$18,600,000 for the 1921 crop, as will be noted by the figures below:

Year	Number of Bales Received	Distribution to Growers
1921	156,357	\$18,600,000
1922	168,344	22,600,000
1923	107,529	16,400,000
1924	124,835	16,700,000

With his final check, each member grower was given a statement showing the number of bales delivered by him, total weight, the number of pounds which went into the different pools, his total credits and the deductions for storage, insurance, and expense fund. The check on its face showed the net proceeds due each grower and the deductions because of advances, interest on funds drawn in advance of sales, and the 2% advance fund which is covered by certificates drawing 6% interest and payable at definite dates.

In explanation of the charge for storage the association states that the cost was 50 cents per bale for the first month and 25 cents a month thereafter on a pro rata basis. The insurance charge was at the rate of 39 cents per \$100 of valuation and covered both fire and water damage from the gin to the buyer.

In connection with the harvesting and marketing of the 1924 crop the association advanced to its members \$7,723,200 at an interest rate of 4.7% per annum, charging them only for the actual time the money was in use.

Of the 1-1/2 per cent of sales deducted as expense, only so much as is necessary to cover the cost of the services rendered by the association, will be a permanent charge against the grower. The remainder will be refunded.

It is stated by the management of the organization that as soon as the new contract, now being signed, goes into effect the advance fund certificates for the deductions made on the 1921 and 1922 crops will be redeemed. These certificates amount to about \$860,000. Under the terms of the new contract, it is stated, advance fund certificates will be payable one year after they are deducted.



LOUISIANA COTTON ASSOCIATION REDUCES EXPENSE

The sum of \$2,694,905 has been distributed to members thus far on 1924 cotton by the Louisiana Farm Bureau Cotton Association, Shreveport, La., according to the report of the secretary. Twenty-six thousand, five hundred thirty-five bales were received from 2,729 members. This cotton was received in 6,327 shipments, an average of about four bales to a shipment.

An improvement noted in this report is the decrease in number of assignments against proceeds from sale of cotton, only 526 being executed during the past season, compared with 1,143 in the first year of operation. This has been brought about, "(1) by better financial condition of many of our members as a result of our method of partial payment from time to time, (2) by more rapid payments to members (a large proportion of our assignments were executed the first year toward the latter part of the season) and (3) by a shrinkage in the desire of various merchants and banks to cooperate along these lines."

Most of the cotton was delivered by small growers, 2,317 members delivering from 1 to 10 bales each. Twenty-seven members delivered over 100 bales each, the largest quantity credited to one member being 800 bales.

The amount already distributed, \$2,694,905, is estimated by the treasurer to be about 89% of the final amount to be received. During the past season the association was able to finance itself by borrowing but \$1,887,000 from the banks, compared with \$3,914,800 the year before. Certain members of the association aided in the financing and demand notes were issued to such members for more than \$650,000 the past year.

On account of the savings effected by regular selling of cotton by efficiency in operation, by low interest, insurance and storage rates, the treasurer believes that the final cost per bale to members may be conservatively estimated at \$5.45, or about \$1.90 less than for the first year. The following figures are given for the two years:

	<u>1923</u>	<u>1924</u>
Net Association Expenses.....	\$74,461.78	\$77,199.05
Interest.....	63,460.89	28,413.15
Insurance.....	32,095.50	8,000.00
Storage.....	49,318.50	31,225.00
Total.....	219,336.67	144,837.20
<u>Per bale expenses</u>		
Net Association Expenses.....	2.50	2.90
Interest and Insurance.....	3.19	1.37
Storage.....	3.65	1.13
Total per bale.....	7.34	5.45

### GEORGIA COTTON POOL SETTLES FOR 1923 LONG STAPLE

Final settlement for 520 bales of long staple cotton delivered by members in the fall of 1923, has recently been completed by the Georgia Cotton Growers' Cooperative Association, Atlanta. The association was able to return to growers an average of more than 30 cents a pound, although the cotton in some of the pools of extra quality brought 37.47 cents and some 39.22 cents.

Of the 1924 crop the association received 105,974 bales, of which approximately 70% graded middling or better.

New members received by the association include many big producers. Among these is a grower who produced 800 bales last year and has 2,000 acres planted this year, three who produced 400 bales each last year, others who had 300, 250, 175, 150, and 100 bales, and one who has 1,500 acres planted.

-----0-----

### FOUR-YEAR REPORT BY OKLAHOMA COTTON ASSOCIATION

\* Figures indicating the business activities of the Oklahoma Cotton Growers' Association, Oklahoma City, for the four years that the organization has been operating were released under date of May 23. The association handled the cotton crops produced by its members in 1921, 1922, 1923 and 1924, receiving a total of 417,362 bales. This quantity sold for over \$50,000,000, and of the total amount over \$48,300,000 was paid to member producers. Taking the four-year period as a whole, the growers received 96% of total sales.

Disbursements for expenses amounted to approximately \$2,300,000. Among the larger items of expense aside from salaries were, interest, \$400,000; insurance, \$200,000; warehousing \$128,000. The disbursements include over \$80,000 expended for office building and equipment.

The more important figures in connection with the four years of activity are given in the following table:

Season	Sales		Sales		Payments	
	Received		f.o.b.		to	
	Number	Index	Oklahoma	a/	Members	b/
1921-22	91,311	100	\$8,396,763	\$8,002,751	\$509,900	
1922-23	65,368	72	8,550,872	8,229,528	456,900	
1923-24	118,743	130	16,398,646	15,744,792	738,700	
1924-25	141,440	155	17,154,698	16,450,823	586,500	

a/ Including sale of loose cotton.

b/ Expenses were partially met from "other income."

PRELIMINARY REPORT ON EGG MARKETING AVAILABLE

A preliminary report discussing the "Cooperative Marketing of Eggs and Poultry" has been prepared by the Bureau of Agricultural Economics for distribution among those interested in the subject. Early methods for marketing eggs are discussed, also the development of the egg circle and finally the development in California of the egg marketing association conducted along commercial lines. The several types of existing associations are described in detail, such as the centralized organizations found in California, the federated locals operating in Minnesota, and the farmers' exchanges with their central cold storage plants in Missouri. In addition to the descriptive matter, the latest available information as to number of associations, location of societies, number of members, and volume of business is presented in tables.

-----O-----

QUALITY IMPORTANT IN COOPERATIVE EGG MARKETING

A diagnosis of an egg marketing program by the Federal Bureau of Agricultural Economics at the request of a New England cooperative association revealed the fact that the difficulties being encountered arose largely because of a poor product rather than because of the marketing methods employed. Customers of the association were not satisfied with the product delivered to them and the poultry farmers complained that too large a percentage of their eggs were being placed in the lower grades by the association. A field investigation revealed that many members of the association were not giving their flocks proper care or feeding them so as to produce high quality eggs. Definite suggestions were made by the investigators and assurance given that when a quality product is offered the trade that there will be more general satisfaction among the members as regards sales made by the association.

-----O-----

POULTRY ASSOCIATION REPORTS SURPLUS INSTEAD OF DEFICIT

"Yes, we have no deficit to-day," announces the Pacific Cooperative Poultry Association, Portland, Oregon, in connection with a financial statement dated April 30, 1925. Organized in May, 1921, this buying and selling association has been burdened with a deficit ever since. That it was finally wiped out is credited to the efficient way in which the business was conducted and to the fact that the larger volume of eggs secured by the membership campaign permitted the overhead to be covered by the deduction of two cents per dozen. "It has, in fact, fallen so much below this figure that a large portion of the deficit has been made up out of a profit in this handling charge." Splendid cooperation between officers and members, was another factor in bringing about this result.

On April 30, the association's assets amounted to \$116,921 and there was a surplus of \$1,484.



### ILLINOIS COOPERATIVES ARE FEDERATING

In four counties in Illinois the livestock shipping associations have been federated into county-wide organizations. According to the director of livestock marketing of the Illinois Agricultural Association, "a county federation is the means of bringing officers of locals together for discussion of mutual problems and it also helps in establishing a uniform accounting and auditing system."

Recently a conference of representatives of livestock shipping associations was held under the auspices of the Illinois Agricultural Cooperatives Association. Sixty-three representatives from 18 shipping associations attended. Among the subjects considered were uniform accounting systems; group organization for auditing purposes, and requirements for exemption from federal income taxes.

-----0-----

### LIVESTOCK SHIPPING ASSOCIATION BEING FORMED IN NORTH CAROLINA

Cooperative associations for marketing the cattle and sheep produced in Western North Carolina are being organized through the cooperation of state and federal agencies. Much of the western North Carolina country is suited only for stock grazing purposes and the cattle produced in that section are marketed largely as feeders for further finishing in Northern Virginia and in the eastern and central sections of North Carolina and South Carolina. The marketing practice heretofore has been to sell the stock to local or visiting buyers; in many cases the cattle being contracted 60 to 90 days in advance of delivery. Because of heavy losses in recent years by reason of declining prices, buyers have almost ceased buying, with the result that producers have had difficulty in disposing of their stock. Through the efforts of the North Carolina Division of Markets 1,673 head have been sold in Virginia and the two Carolinas, at a charge of 50¢ per head for the service, which was not quite sufficient to cover the expense.

Believing that much better results can be obtained if the producers will help themselves, the officials of the State Division of Markets have been conducting a campaign in four counties with a view to persuading the producers to organize and operate their own selling organizations.

At meetings recently held, the procedure necessary to organize and operate an efficient marketing association, was outlined. These meetings were well attended and much interest manifested. At one meeting the producers voted to proceed with the organization of a county association and appointed a committee to attend to the details. It is planned to have the association ready to receive listings of cattle and sheep not later than July 1.

In the other counties leaders were appointed to ascertain the general condition of the local livestock industry and the attitude of the producers towards organizing marketing associations, with the thought of holding other meetings in the near future. Sales service may be furnished by the State Division until local men can be trained to serve as sales managers.



SURVEY OF COOPERATIVE MARKETING IN ENGLAND AND WALES

"Cooperative Marketing of Agricultural Produce in England and Wales: A Survey of the Present Position," is the title of a bulletin recently issued by the Ministry of Agriculture and Fisheries of Great Britain. This is the first published of three bulletins dealing with cooperation. One of the two now in preparation will deal with the co-operative marketing of farm produce in the United States.

The study points out that, while there were many instances of successful societies, some with long records of prosperity, they were of the nature of individual achievements and could not be regarded as evidence of a successful system. This was found to be true in every line of agricultural industry; in no branch had anything like a general or national system been developed.

The history of efforts to market cooperatively is discussed by periods: 1870 to 1901, 1901 to 1914, and 1914 to 1924. Dairy organizations were among the first enterprises and a number of cheese factories were started in the first period. Two cheesemakers were brought from America about 1870 to start the enterprises which were successful for a time but later met with much opposition from the private cheese factors. It is said that there are still factories in the Derbyshire district which can trace a more or less direct descent from these early enterprises.

In 1901 the Agricultural Organization Society was formed, "not to encourage cooperation in particular, but rather the business organization of farmers for their own benefit, although holding at the same time that cooperation and registration under the Industrial and Provident Societies Act was the form which that organization could most safely and advantageously take in existing circumstances." Until 1912 this society was supported by private donations and contributions from affiliated societies. Its income was, therefore, very limited. Societies for the purchase of farmers' supplies received its first consideration. A few marketing societies were also formed. Problems of small-holdings and allotments, credit societies, land-renting societies, cooperative insurance, all demanded attention.

It was not until 1912 that grants were forthcoming from the Development Commission sufficient to enable the Agricultural Organization Society to enlarge its operations. During the war, when the farmers found ready markets and satisfactory prices, it seemed best to encourage existing societies rather than to develop new ones. However, at the end of 1918 the number of cooperative marketing societies had increased about 50% over the average number in existence the first three years of the war.

The year 1924 marked the end of the work of the Agricultural Organization Society. On account of the growth in importance and representation of the National Farmers' Union, it was decided that this was the organization which should henceforth direct cooperative developments, and it has now accepted the responsibility.

The following table shows the number and turnover of agricultural marketing societies and certain other societies handling agricultural produce as part of their general trading, for the year ending March 31, 1924.

Commodity Handled	: Number of : Societies	: Turnover <sup>1/</sup> :
		( £ )
Dairy Produce	: 63	: 1,447,627
Eggs and Poultry	: 43	: 349,662
Fruits and Vegetables	: 18	: 301,932
Livestock <sup>2/</sup>	: 9	: 375,128
Auction Marts (Livestock)	: 18	: 1,081,953
Slaughterhouses	: 11	: 415,270
Bacon Factories	: 5	: <sup>3/</sup> 694,820
Wool	: 13	: <sup>4/</sup> 200,000
Total	: 181	: 4,865,999

<sup>1/</sup> Turnover in respect to produce handled and not necessarily total turnover of society.

<sup>2/</sup> This entry covers societies selling livestock on behalf of members otherwise than through the auction mart owned or operated by the society.

<sup>3/</sup> 1924 figures.

<sup>4/</sup> Estimated.

As the total value of produce marketed cooperatively in 1923-24 was approximately five hundred million pounds sterling, or roughly about 3-1/2 per cent of the total value of agricultural produce marketed in England and Wales, it will be seen that the experimental stage is not yet passed and it can hardly be considered a serious factor in distribution.

The 63 dairy societies are classified as follows: 17 wholesalers' societies, selling their milk mainly to retailers; 7 wholesalers and retailers' societies; 9 wholesalers and retailers as branch of general trading; 7 retailers' societies; 16 cheese and butter societies, which function chiefly to deal with surplus milk and operate only when such excess exists; 7 stilton cheese societies. These last are in a special category as stilton cheese is produced commercially only in certain localities.

Cooperative livestock auction marts were begun in 1904 and provide a method by which the farmer members may market their stock under favorable business conditions. Cattle, calves, pigs, sheep, horses, and poultry are handled. Some of the societies are small. Only five report that their business is increasing. Three report the payment of bonuses. A number of trading societies not using auction marts also handle livestock.

The study includes considerable history of each of the commodity groups listed in the table, also detailed descriptions of outstanding societies in the different groups. Numerous charts and tables also present the information in detail from various angles.

LIABILITY FOR FEDERAL INCOME TAXES

Liability of farmers' cooperative business organizations for Federal income taxes hinges upon two things, namely, (1) whether or not all patrons are treated alike in regard to deductions and patronage refunds, and (2) the use made of any net income that may accrue in the conduct of the business.

Associations of farmers turning back to patrons (members and non-members sharing alike) all proceeds from business transactions except necessary operating expenses including reasonable reserves for specified purposes, are exempt from the payment of Federal income taxes and the making of tax returns.

Among the reasonable reserves which may be set up without destroying exemption are reserves for (a) depreciation, (b) possible losses, (c) the purchase of buildings and facilities required in the business, (d) to retire indebtedness acquired in expanding the business, and (e) to pay dividends upon capital stock provided that such dividends are not in excess of 8% or the legal rate of interest.

Once an association has established its exemption, it is not necessary to file tax returns. However, the burden of establishing its exemption rests with the association. For organizations that meet the usual definitions of a cooperative association, the principal factor affecting exemption, or lack of exemption, is the treatment of nonmember patrons if the associations do business for nonmembers.

In the case of associations unable to establish exemption, the amount to be paid as Federal income taxes may be determined by proceeding as follows: Deduct from gross income all expenses of operation including (1) all ordinary and necessary payments for services and operating supplies; (2) all accrued and unpaid expenses which must be paid within the ensuing year and (3) all accrued expenses which must be met in the future and for which reserves are created, such as reserves for depreciation, losses on accounts, etc. The remainder after making the above deductions is the total net income from which should be deducted an amount sufficient to cover such dividends as may be paid on capital stock. Such portion of net income as still remains should be apportioned on the basis of the volume of business transacted by member and nonmember patrons.

The taxable net income, that is, the amount on which an association is required to pay income taxes, is arrived at by adding (1) the amount representing dividends on capital stock (2) the net income from nonmembers' business and (3) any part of the net income from members' business not returned as a patronage refund.

Regulations 65, relating to the income tax under the revenue act of 1924, may be secured from the Superintendent of Documents, Government Printing Office, Washington, D. C., for 25¢ per copy. Pages 148-155 of these regulations contain information of interest to cooperative associations.



NEW LEGISLATION REGARDING CROP LIENS

The State of Maine has recently enacted a comprehensive statute providing for the delivery to and the marketing by a cooperative association of the crops of members to which liens have attached after the filing of the marketing contracts of the members. No cooperative association is entitled to the benefits of this statute unless it files annually with the Secretary of State a good and sufficient bond which requires the association to fulfill all its obligations under this statute and which is security for the payment of judgments obtained by lien holders against the association under the terms of the act. The minimum amount of the bond is \$50,000, and in case the amount of business done by the association in the previous year is over \$1,000,000 and less than \$2,500,000, the amount shall be \$75,000, and if the amount of business done is \$2,500,000 or over, the amount of the bond shall be \$100,000.

The statute provides for the recordation of the original or an authenticated copy of an executed marketing agreement in the office of the register of deeds in the county where the crop is produced. After such a marketing agreement has been filed for record, the association may, in lieu of filing all other agreements obtained from its members, file an affidavit prepared by one of its officers that the association has executed other marketing agreements similar to the one recorded, giving the names and addresses of the parties thereto, the date on which the contracts were executed, and the date of expiration, if different from that of the recorded agreement. The filing and recording of such agreements or affidavits is full notice to all interested parties of the rights and claims of the association in the crops in question. The act provides that lien holders shall promptly notify the association of their liens.

Any person may acquire a lien on the crop covered by a marketing contract just the same as though the marketing agreement did not exist; but if such a lien is acquired subsequent to the filing of the marketing agreement for record, the lien holder acquires the lien subject to the right of the association to have the crop delivered to it for marketing and sale; but the association is required to sell the crop, or a similar crop, and make payment to the lien holder or holders out of the net proceeds, as near as the returns will permit, within ten months after the delivery of the crop or crops to it.

In the case of crops covered by liens, advance payments are made to lien holders, but if the amount thus paid to a lien holder exceeds the amount due the member, as determined by the final settlement, the association may recover such excess advances from the lien holder. The lien holder acquires his lien subject to the rights of



the association to make the deductions specified in the marketing contract from the gross proceeds derived from the sale of the crop just as though the lien did not exist. If a person acquires a lien on a crop that is in the course of production and the member fails to continue to attend to the production of the crop, the lien holder, following a notice to the member, may exercise any right or remedy given him by law against the crop for the purpose of protecting his interest therein, but the crop when finally ready for market must be delivered to the association.

The association is required to take action against members who in violation of their contracts fail to deliver their crops to the association for marketing, and if an association after a lien holder has made a demand upon it to take action against a member for the purpose of compelling him to deliver his crops to the association for marketing, fails to act, the lien holder may exercise any rights against the crop given him by law the same as though the marketing contract did not exist. In case an association refuses to pay the proceeds derived from the sale of a crop on which a person has a lien to him to the extent necessary to liquidate the debt, if sufficient net proceeds are available, the lien holder may bring suit against the association.

If a lien holder knowingly attempts to seize or receive any crop contrary to the terms of this statute, he is guilty of a misdemeanor and shall be subject to a fine of not less than \$100 and not more than \$1,000 for each offense, and shall be liable to the association in the penal sum of \$500 for each offense.

L. S. Hulbert.

-----O-----

#### COOPERATIVE WINS IN KENTUCKY COURT OF APPEALS

The Court of Appeals of Kentucky on May 1, 1925, decided the case of the Liberty Warehouse Company vs. Burley Tobacco Growers' Cooperative Association.

The association brought suit against the warehouse company under Section 27 of the Bingham Cooperative Marketing Act, which section reads as follows:

Any person, firm or corporation conducting a warehouse within the State of Kentucky, who solicits, persuades or permits any member of any association organized hereunder to breach his marketing contract with the association by accepting or receiving such member's products for sale or for auction or for display for sale, contrary to the terms of any marketing

agreement of which said person or any member of said firm or any active officer or manager of said corporation has knowledge or notice, shall be liable to the association aggrieved in a civil suit in the penal sum of five hundred (\$500) dollars for each such offence; and said association shall be entitled to an injunction against such warehouse to prevent further breaches and a multiplicity of actions thereon. In addition, said warehouseman shall pay to the association a reasonable attorney's fee and all costs involved in any such litigation or proceedings at law.

The lower court held that the association was entitled to recover a penalty of \$500 from the Liberty Warehouse Company on the ground that it had assisted and induced a member of the association to violate his contract with it, following notice of the facts given before the sale of the tobacco.

The warehouse company then appealed the case. On appeal it presented to the higher court a number of reasons for reversing the judgment of the trial court. A number of the reasons urged by the warehouse company centered around the fact that the remedy involved was given only to cooperative associations and not to others. The appellate court held that all the reasons advanced by the warehouse company for reversing the judgment of the lower court were without merit, and consequently affirmed the judgment.

With respect to the recovery of attorney fees by the association, the warehouse company claimed that the statute in question denied it equal protection of the law since the statute contained no provision permitting it to recover an attorney fee from the association in the event that the association should fail in its suit. As indicated above, this point was held to be without merit.

Independent of statute it is a general common law rule that where a stranger to a contract wrongfully induces a party thereto to commit a breach thereof, or disables such party from performing such contract, the injured party to the contract has a cause of action against the wrong-doer for the loss suffered. (*Angle v. Chicago, St. Paul Ry.*, 150 U. S. 1; *Westinghouse Co. v. Diamond S. T. Co.*, 268 Fed. 121; *Beckman v. Masters*, 195 Mass. 205; 11 L. R. A. (N. S.) 201.) It will be appreciated that the statutory provision quoted above is in accord with the common law rule just referred to. In other words, the common law has always recognized that it was wrong for a person to interfere with the contractual relations of others.

L. S. Hilbert.

BROOMCORN ASSOCIATION MAKES REPORT

Pool sales of broomcorn of the 1924 crop by the Broomcorn Growers' Cooperative Association, Oklahoma City, amounted to \$545,019, according to a trial balance dated May 15, 1925. Operating expenses charged against this crop amounted to \$128,611; interest and exchange, to \$9,922; insurance, \$7,498; organizing expense, \$5,231; switching and demurrage, \$3,030; and several items of freight to more than \$16,000. At the close of business May 15, the association had stocks of 1924 broomcorn on hand in Chicago, Memphis, Wichita, and Oklahoma City, totaling 3,343 bales, weighing 2,604,921 pounds, valued at \$112,700; also 5,200 bales of old corn at St. Louis, valued at \$25,000.

-----0-----

HAIL INSURANCE COMPANY READY FOR BUSINESS

At a meeting of the Connecticut Valley Hail Insurance Company, Hartford, Conn., a board of directors was elected and a standard type of insurance policy was adopted. It was voted to offer hail insurance coverage of \$300 per acre at a rate of \$25 per acre, provided applications are received for at least 15,000 acres. Premiums will not be payable in advance, as many growers would be unable to meet such payments, but will be charged against the crop in the hands of the association. Hail loss payments will begin about the time of the first advance on a crop. The new company proposes to change the plan of adjustment and have the adjustments for losses made just before harvesting, instead of immediately after a hail storm, as has been the custom.

-----0-----

EXCHANGE WIPES OUT LAST YEAR'S DEFICIT

A net profit of \$12,789 for the year, was reported at the annual meeting of the Garden City Cooperative Equity Exchange, Garden City, Kansas, May 22. This was considered exceptionally good as the previous year's business resulted in a deficit of \$8,000. Total sales amounted to \$512,996 and total profits to \$35,421, of which \$15,172 was on wheat, \$7,755 on milo, \$4,427 on flour and feed, \$4,311 on coal, \$3,083 on merchandise, and several smaller items. Expenses amounted to \$22,631, of which the largest items was salaries, \$10,545. Storing milo cost \$5,482 \$4,624 went for general expenses. The remainder was taxes, insurance, etc.

Since its organization in 1919 this exchange has prorated to its members more than \$58,000. As it was handicapped in its operations by a small elevator, it has now purchased another elevator with a storage capacity of 30,000 bushels and modern equipment of every kind for grinding and cleaning grain, as well as warehouse space and coal sheds.

Business is transacted for nonmembers as well as for the more than 200 members. Resources now amount to \$68,621. Capital stock is outstanding in the sum of \$37,400, and the surplus fund contains \$7,326.



PROGRAM ISSUED BY AMERICAN INSTITUTE OF COOPERATION

The announcement of the first summer session of the American Institute of Cooperation is now off the press. This session will be held at the University of Pennsylvania, July 20 to August 15, with a program planned for the convenience of those who are able to attend a part of the time, as well as those taking the full course. According to the tentative schedule, the morning sessions will be divided into three periods and leaders in cooperative work will be the speakers. Afternoons will be given to round table discussions and classes for study groups, while prominent speakers will be heard in the evenings.

A feature which promises much interest is a plan for trips to inspect the wide variety of marketing activities in and near Philadelphia. Besides being a large consuming market, Philadelphia is also a distributing center for a large territory. The nearby producing sections, the jobbing markets, the terminals, the auction houses, the retail markets, fruit packing houses, canneries, elevators, flour mills, milk distributing plants, the harbor facilities and piers, offer exceptional opportunities to persons studying market problems.

Copies of the catalogue, covering many details, may be secured from the secretary of the institute, 1731 Eye Street, N. W., Washington, D.C.

-----0-----

TOBACCO ASSOCIATION SETS HIGH GOAL FOR SEASON

An advisory board in each of the 22 districts covered by the Tobacco Growers' Cooperative Association, Raleigh, N.C., is one of the measures planned by the newly elected board of directors to bring the management and membership into closer touch in carrying on the business of the association. It is proposed that these delegates shall meet with the director of each district quarterly or oftener as the directors or a majority of the committee may decide. It shall be their duty to consider all matters of policy and matters concerning the personnel of the organization in their district.

Another important decision of the newly elected board was to carry on all suits already begun against members and to enforce the marketing contract rigidly. However, it was decided that no deductions should be made from 1925 deliveries of tobacco as penalties for failure to deliver in former years. Hence, no grower need fear that deductions will be made from his 1925 deliveries to meet claims the association may have against him in connection with other crops. This action is expected to result in a considerable increase in the quantity of tobacco which will be delivered. Two hundred million pounds in 1925, is the goal set by the directors.

The annual meeting recently held at Raleigh had a record attendance of 1,500.



NEW EDITION OF COOPERATIVE BULLETIN ISSUED

After being out of print for several weeks, copies of U. S. Department of Agricultural Bulletin No. 1302, entitled "Development and Present Status of Farmers' Cooperative Business Organizations," are now available for distribution, a new edition of the publication having been issued. Requests for copies should be addressed to Division of Agricultural Cooperation, Bureau of Agricultural Economics, Washington, D. C.

-----O-----

NEW BRUNSWICK IS INTERESTED IN COOPERATION

One hundred ninety-seven agricultural societies are in existence in the Province of New Brunswick, according to a recent consular report. Of these, 160 are active and have an aggregate membership of 9,127. A tabulation of the societies by counties shows that the stock bonuses of the active societies amount to \$1,910; the provincial grants amount to \$18,291; and other grants, to \$16,124.

-----C-----

A CORRECTION REGARDING INDIANA WHEAT GROWERS

At the bottom of page 214 of Agricultural Cooperation for May 25, 1925, a statement was published to the effect that the Indiana Wheat Growers' Association, Indianapolis, was reincorporated on March 4, 1925, "that it might be the first organization incorporated under the new Indiana cooperative law." This statement was made on information furnished by the association.

We have been advised recently that, while the articles of reincorporation were left for filing on March 4, subsequently a technical defect was discovered and the articles were not entered in the record books of the State of Indiana. We have been further advised that steps have been taken to remedy the defect and eventually the reincorporation will be completed, however, under a later date than that of March 4.

-----O-----

WOMEN FAVOR FARMER-OWNED MARKETING SYSTEM

Fourteen women representing eight states and the District of Columbia formed themselves into the foundation committee of the Federated Farm Women of America at a meeting held in Washington, D. C., on April 25. A declaration of purpose was adopted which states that the association "shall be strictly nonpartisan and essentially educational and economic in character." Among the aims of the organization is that of bringing about the "improvement of farm conditions which centers around a better marketing system for farm products, so as to get better prices for the farmers by elimination of speculators and middlemen through an adequate farmer-owned and controlled marketing system." An office has been opened in Washington, D. C.

IN THIS ISSUE

Wool:	<u>Page</u>
Cooperative wool marketing in the U. S. in 1924.....	255
Illinois farmers to pool wool again .....	256
Indiana farmers pool wool forty years.....	256
North Dakota Wool Growers adopt marketing agreement.....	256
Fruits and Vegetables:	
Prune and apricot growers plan a new start .....	257
Washington association plans for increased business.....	258
Minnesota exchange operates many warehouses .....	258
Grain:	
Saskatchewan wheat pool starts building elevators.....	259
Indiana Wheat Growers gain in membership .....	259
Settlement for Texas and Oklahoma wheat .....	259
Kansas wheat pool holds harmonious meeting.....	259
Cotton:	
Staple Cotton Association makes final payment .....	260
Louisiana Cotton Association reduces expenses.....	261
Georgia association settles for 1923 long staple .....	262
Oklahoma issues figures for four years of operation.....	262
Poultry products:	
Preliminary report on egg marketing available.....	263
Quality important in cooperative egg marketing.....	263
Oregon cooperative reports surplus instead of deficit.....	263
Livestock:	
Illinois cooperatives are federating.....	264
North Carolina forming shipping associations.....	264
Foreign:	
Survey of cooperation in England and Wales.....	265
Legal:	
Liability for Federal income taxes .....	267
Maine legislates regarding crop liens .....	268
Cooperation wins in Kentucky court of appeals .....	269
Miscellaneous:	
Broomcorn association makes report .....	271
Hail insurance company ready for business.....	271
Exchange wipes out last year's deficit .....	271
Program issued by Institute of Cooperation .....	272
Tobacco association sets high goal for season.....	272
New edition of cooperative bulletin available.....	273
New Brunswick interested in cooperation.....	273
A correction regarding Indiana Wheat Growers.....	275
Women favor farmer-owned marketing system.....	275